

**TOTAL REVENUE**

Total revenue for FY2025 is projected to be \$218,633,750, an increase of \$12,547,589 or 6.09%. Of this total revenue, \$204,297,597 is from revenue dedicated to support the General Fund and \$14,336,153 is from debt exclusion overrides to support borrowing for capital projects, including Arlington High School, elementary schools, and the Minuteman Regional Vocational Technical High School. The General Fund increase is \$12,042,013 or 6.26%.

The property tax levy is projected to increase, without debt exclusion revenue by \$4,699,916 or 3.36%. This includes the normal 2.5% increase plus \$850,000 in new growth. Total tax revenues, including the debt exclusions, increase by \$4,682,059 or 3.04%.

Local receipts are projected to increase by \$400,000 or 4.06% as they continue to rebound from the COVID pandemic shortfalls.

State Aid estimates are made up of Cherry Sheet Aid, the annually recurring aid for education, general government, and other categories (see State Aid description on page 40). In past years the Town also received School Construction Aid, State reimbursements to the Town for borrowing costs the Town incurred for state eligible school building projects, but the last payment occurred in FY2021. Total State Aid is projected to increase \$369,373 or 1.31% and is based on the Governor's budget. Arlington will receive a \$180,630 (0.97%) increase in Chapter 70 Aid and a \$272,084 (3.0%) increase in General Government Aid.

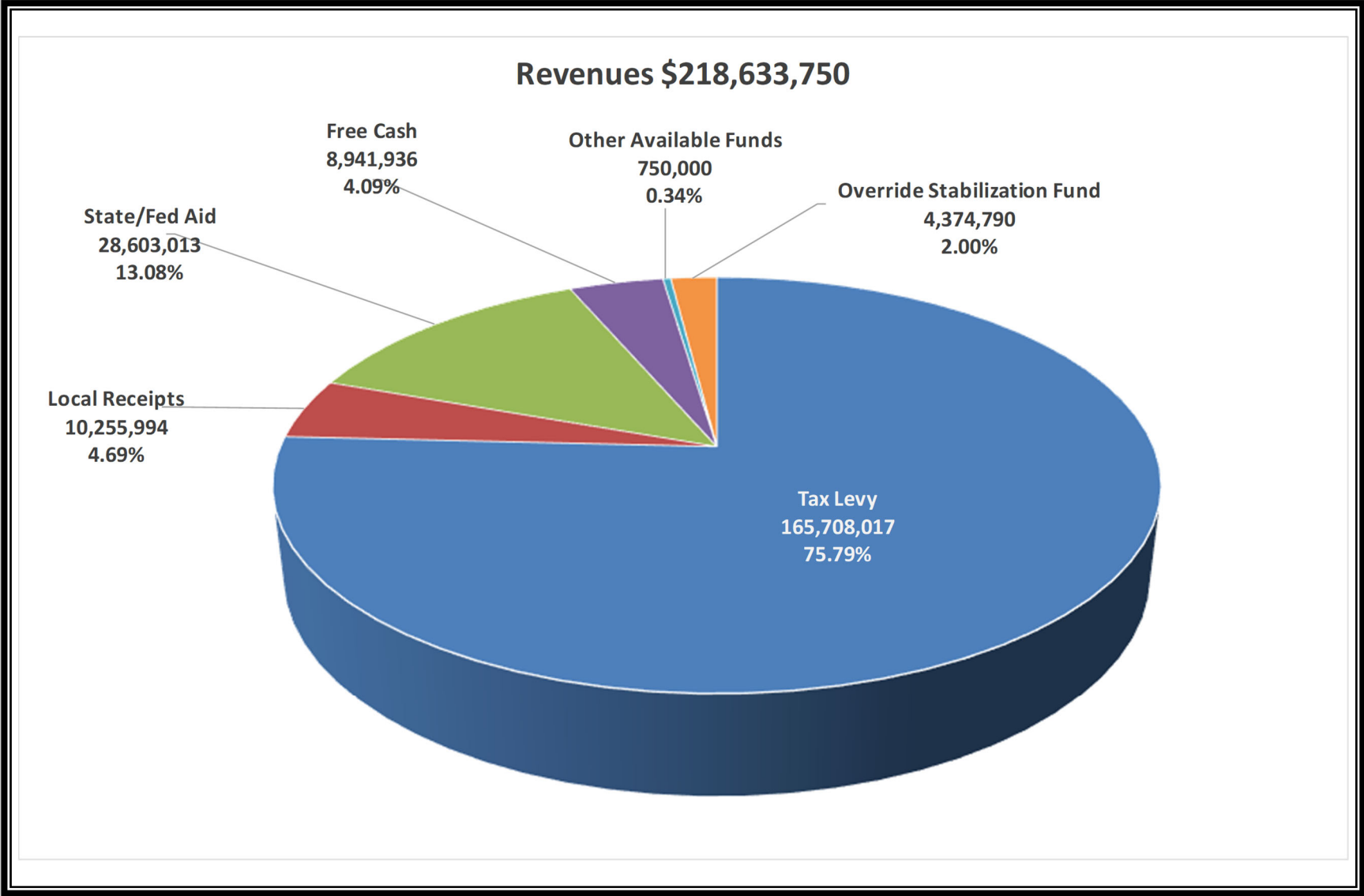
The FY2025 Budget will not include any ARPA Revenue Replacement funding. In both FY2023 and FY2024 the Town utilized \$5,000,000 (\$10,000,000 total) as general revenue replacement. This was the maximum allowable amount under ARPA Guidelines.

A total of \$8,941,936 in Free Cash is proposed to be used, which is an increase of \$985,892 from FY2024 and, consistent with Town financial policies, an amount equal to 50% of the Free Cash balance certified by the Department of Revenue for the close of the previous fiscal, June 30, 2023.

Other Available Funds include \$750,000 in surplus tax abatement overlay funds, a \$150,000 (25%) increase from what the Assessors released in FY24.

It will be necessary to use \$4,374,790 from the Override Stabilization Fund this year.

REVENUE SOURCE	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Tax Levy	142,948,226	149,169,849	153,851,908	165,708,017	11,856,109
Local Receipts	14,460,844	9,225,900	9,855,994	10,255,994	400,000
State/Federal Aid	23,529,766	30,221,523	33,233,640	28,603,013	(4,630,627)
Free Cash	5,659,184	5,539,215	7,956,044	8,941,936	985,892
Other Available Funds	400,000	650,000	600,000	750,000	150,000
Override Stabilization Fund	6,248,581	2,946,037	588,575	4,374,790	3,786,215
Total	193,246,601	197,752,524	206,086,161	218,633,750	12,547,589





Total General Fund Revenues

	<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Actual</u>	<u>FY20 Actual</u>	<u>FY21 Actual</u>	<u>FY22 Actual</u>	<u>FY23 Actual</u>	<u>FY24 Budget</u>	<u>FY25 Budget</u>
Tax Levy*	99,691,909	103,384,789	106,846,726	111,126,263	112,983,032	122,322,210	125,244,001	130,801,944	135,321,415	140,021,331	151,371,864
Local Receipts	10,115,304	11,071,191	10,689,873	12,004,047	12,004,047	11,231,688	9,708,615	14,460,844	9,225,900	9,855,994	10,255,994
State Aid**	17,462,884	18,230,105	18,918,527	19,375,164	20,039,795	22,481,187	23,539,328	23,529,766	30,221,523	33,233,640	28,603,013
Free Cash	3,042,925	3,435,846	4,537,299	4,850,566	4,593,375	5,559,782	5,901,388	5,659,184	5,539,215	7,956,044	8,941,936
Other Available Funds	350,000	350,000	200,000	500,000	200,000	200,000	400,000	400,000	650,000	600,000	750,000
Override Stabilization Fund	0	0	0	0	2,786,331	0	2,024,197	6,248,581	2,946,037	588,575	4,374,790
Total	130,663,022	136,471,931	141,192,425	147,856,040	152,606,580	161,794,867	166,817,529	181,100,319	183,904,090	192,255,584	204,297,597

*Excludes MWRA Debt Shift

**Excludes MSBA Reimbursements

Annual Revenue Increases

	<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Actual</u>	<u>FY20 Actual</u>	<u>FY21 Actual</u>	<u>FY22 Actual</u>	<u>FY23 Actual</u>	<u>FY24 Budget</u>	<u>FY25 Budget</u>
Tax Levy	3,547,511	3,692,880	3,461,937	4,279,537	1,856,769	9,339,178	2,921,791	5,557,943	4,519,471	4,699,916	11,350,533
Local Receipts	(181,241)	955,887	(381,318)	1,314,174	0	(772,359)	(1,523,073)	4,752,229	(5,234,944)	630,094	400,000
State Aid	369,626	767,221	688,422	456,637	664,631	2,441,392	1,058,141	(9,562)	6,691,757	3,012,117	(4,630,627)
Free Cash	(368,604)	392,922	1,101,453	313,267	(257,191)	966,407	341,606	(242,204)	(119,969)	2,416,829	985,892
Other Available Funds	150,000	0	(150,000)	300,000	(300,000)	0	200,000	0	250,000	(50,000)	150,000
Override Stabilization Fund					2,786,331	(2,786,331)	2,024,197	4,224,384	(3,302,544)	(2,357,462)	3,786,215
Total	3,517,293	5,808,909	4,720,494	6,663,615	4,750,540	9,188,287	5,022,662	14,282,790	2,803,771	8,351,494	12,042,013
Percent Increase	2.8%	4.4%	3.5%	4.7%	3.2%	6.0%	3.1%	8.6%	1.5%	4.5%	6.3%

Percent of Total Revenue

	<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Actual</u>	<u>FY20 Actual</u>	<u>FY21 Actual</u>	<u>FY22 Actual</u>	<u>FY23 Actual</u>	<u>FY24 Budget</u>	<u>FY25 Budget</u>
Tax Levy	76.3%	75.8%	75.7%	75.2%	74.0%	75.6%	75.1%	72.2%	73.6%	72.8%	74.1%
Local Receipts	7.7%	8.1%	7.6%	8.1%	7.9%	6.9%	5.8%	8.0%	5.0%	5.1%	5.0%
State Aid	13.4%	13.4%	13.4%	13.1%	13.1%	13.9%	14.1%	13.0%	16.4%	17.3%	14.0%
Free Cash	2.3%	2.5%	3.2%	3.3%	3.0%	3.4%	3.5%	3.1%	3.0%	4.1%	4.4%
Other Available Funds	0.3%	0.3%	0.1%	0.3%	0.1%	0.1%	0.2%	0.2%	0.4%	0.3%	0.4%
Override Stabilization Fund	0.0%	0.0%	0.0%	0.0%	1.8%	0.0%	1.2%	3.5%	1.6%	0.3%	2.1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

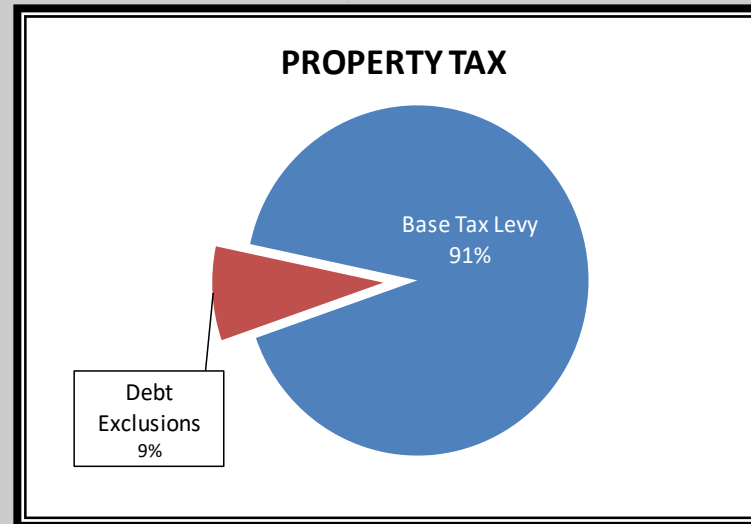
**PROPERTY TAX LEVY**

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Arlington, property taxes represent approximately 76% of annual operating revenues. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by Arlington's non-manufacturing businesses. State law mandates that communities update their property values every five years and obtain State certification that such values represent full and fair cash value. A revaluation was conducted in FY2019. Under the Provisions of Proposition 2½, property taxes, in the aggregate, may not exceed 2½% of their "full and fair cash value". This limit is known as the "levy ceiling". Annual levy increases may not exceed 2½% of the previous year's levy plus the taxes from any new or renovated property added to the tax rolls (known as new growth). Any Proposition 2½ override or debt exclusion amounts approved by voters are added to the levy limit, while all related school construction reimbursements from the State are subtracted.

Property values and new growth for FY2025 are preliminary estimates used to project the levy limit. The FY2024 levy limit was \$140,021,331. The 2½% increase allowed for FY2025 is \$3,500,533. New growth from construction not previously on the tax rolls is expected to add \$850,000 to the levy. An additional \$14,352,898 is added to the tax levy to cover the cost of debt service for projects approved by the voters as Proposition 2½ debt exclusion overrides. This budget is the fourth major tranche of debt repayment for the new Arlington High School.

The Town had accepted the provisions of M.G.L. 59 § 21C, whereby water and sewer debt costs, including MWRA debt assessments, are transferred to the real estate taxes. The Select Board voted to eliminate the MWRA debt shift over three years, and it is no longer included in the tax base. The FY2025 tax levy totals \$165,724,762, representing an increase of \$11,854,475 (7.70%) over the FY2024 budgeted levy.

PROPERTY TAX LEVY	FY 2022 Budget	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget	Budget Change
Base Tax Levy	130,879,853	135,356,908	140,021,331	151,371,864	11,350,533
General Override					-
Debt Exclusion Overrides					-
Arlington High School	5,237,412	8,777,070	8,774,025	9,379,957	605,932
Dallin School	200,329	193,082	184,930	159,550	(25,380)
Gibbs School	1,959,600	1,901,100	1,842,600	1,784,100	(58,500)
Hardy School	-	-	-	-	-
Minuteman High School	1,610,964	1,739,452	1,820,001	1,830,191	10,190
Peirce School	-	-	-	-	-
Stratton School	522,975	511,575	500,175	488,775	(11,400)
Thompson School	745,512	726,155	727,225	710,325	(16,900)
Sub-total Debt Exclusions	10,276,792	13,848,434	13,848,956	14,352,898	503,942
Water and Sewer Debt	1,845,727	1,775,587	1,875,013	1,679,304	(195,709)
Total	143,002,372	150,980,929	155,745,300	167,404,066	11,658,766

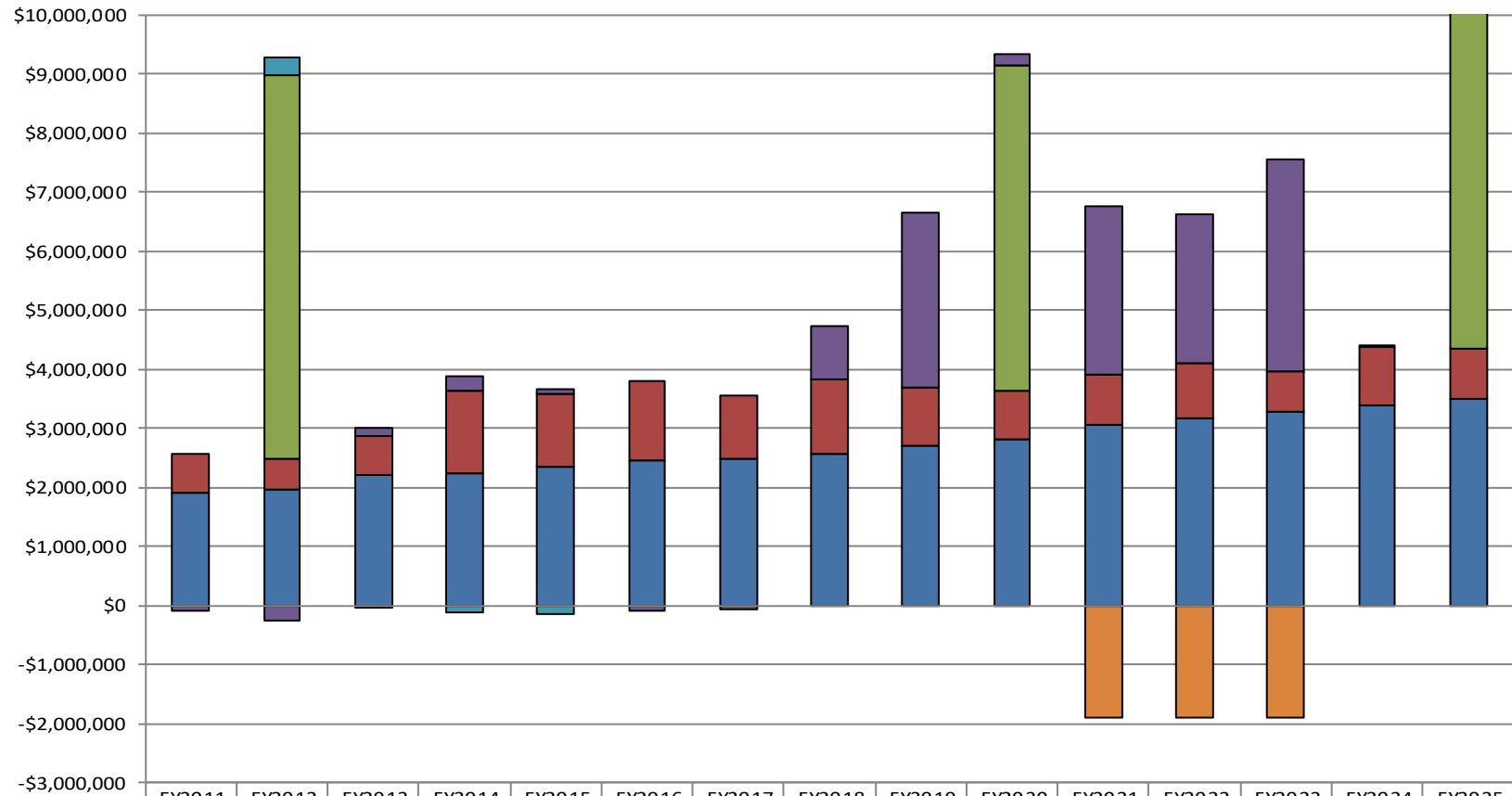


Fiscal Year	Real Estate & Personal Property Commitments	Abatements Granted	Tax deferral Abatements (Ch 41A)	Net Tax Levy	Collections	Refunds	Net Collections	% of Collections	Amount transferred into tax title	Tax Title Balance as of June 30th	Tax Possession Balance as of June 30th	Tax Deferral Balance as of June 30th
2023	149,170,250.59	331,531.14	150,037.66	148,688,681.79	148,319,387.11	255,701.61	148,063,685.50	99.58%	416,009.56	1,068,411.42	396,754.00	584,159.96
2022	142,948,713.47	490,915.41	124,615.10	142,333,182.96	143,653,155.45	164,299.06	143,488,856.39	100.81%	322,344.82	841,426.21	396,754.00	561,453.81
2021	138,199,500.00	336,908.00	123,854.88	137,266,223.00			137,156,573.00	99.92%	0.00	563,812.00	396,754.00	503,970.45
2020	133,305,155.00	431,175.26	135,687.70	132,738,292.04			133,003,248.00	100.20%	0.00	532,795.00	396,754.00	420,768.85
2019	125,795,227.91	561,391.19	78,626.32	125,155,210.40			123,961,447.41	99.05%	0.00	584,098.85	396,754.00	282,012.84
2018	117,255,201.00	316,252.00	56,925.09	116,098,972.00			117,222,582.00	100.97%	311,784.29	764,812.00	396,784.00	355,494.92
2017	114,042,281.23	316,252.00	69,741.70	113,656,287.53	113,137,358.89	1.00	113,137,357.89	99.54%	0.00	545,964.37	396,784.20	288,509.98
2016	110,511,438.41	344,808.64	50,555.38	110,116,074.39	110,016,071.07	340,755.69	109,675,315.38	99.60%	432,204.96	1,016,093.83	396,784.20	251,686.77
2015	105,512,757.86	343,828.94	50,661.96	105,118,266.96			104,637,861.18	99.54%	478,131.08	990,780.09	396,784.20	350,426.94
2014	101,955,275.34	323,139.16	57,609.97	101,574,526.21			101,147,224.95	99.58%	420,461.22	1,046,173.13	396,784.20	350,014.89
2013	98,200,712.05	391,307.70	55,314.74	97,754,089.61	97,567,652.80	248,486.66	97,319,166.14	99.56%	435,398.24	946,663.94	396,784.20	293,094.22
2012	95,185,766.56	427,191.48	47,748.92	94,710,826.16	94,455,977.39	168,880.41	94,287,096.98	99.56%	423,729.18	858,108.74	396,784.20	307,667.70
2011	86,093,152.50	465,825.69	51,677.04	85,575,649.77			84,199,193.25	99.56%	375,360.09	650,009.11	396,784.20	303,386.69
2010	83,612,918.72	483,555.47	61,658.71	83,067,704.54	82,844,187.37	191,859.08	82,652,328.29	99.50%	415,059.45	781,121.00	396,784.20	363,475.82

It is Town policy to close out all real estate and personal property commitments in the same fiscal year, except in 2017 and 2019, when such close outs were delayed one year because of the Town's conversion to new tax collection software.



COMPONENTS OF TAX LEVY INCREASE



	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
MWRA Debt	-	-	-	-	-	-	-	-	-	-	-1,901,6	-1,901,6	-1,901,6		
Symmes Debt Exclusion	-	307,130	(28,590)	(128,721)	(150,000)	-	-	-	-	-	-	-			
Debt Exclusions	(79,675)	(263,714)	157,960	255,465	62,328	(92,013)	(61,801)	895,287	2,972,11	211,842	2,843,56	2,529,1	3,571,6	522	493,751
General Override	-	6,490,0	-	-	-	-	-	-	-	5,500,0	-	-	-		7,000,0
New Growth	656,751	522,167	657,203	1,393,95	1,255,29	1,337,66	1,070,14	1,263,81	981,206	816,617	850,163	933,510	700,000	1,000,0	850,000
2.5% Increase	1,897,6	1,963,9	2,198,1	2,240,8	2,337,9	2,455,7	2,477,5	2,573,2	2,706,4	2,815,9	3,071,3	3,169,4	3,271,9	3,383,9	3,500,5

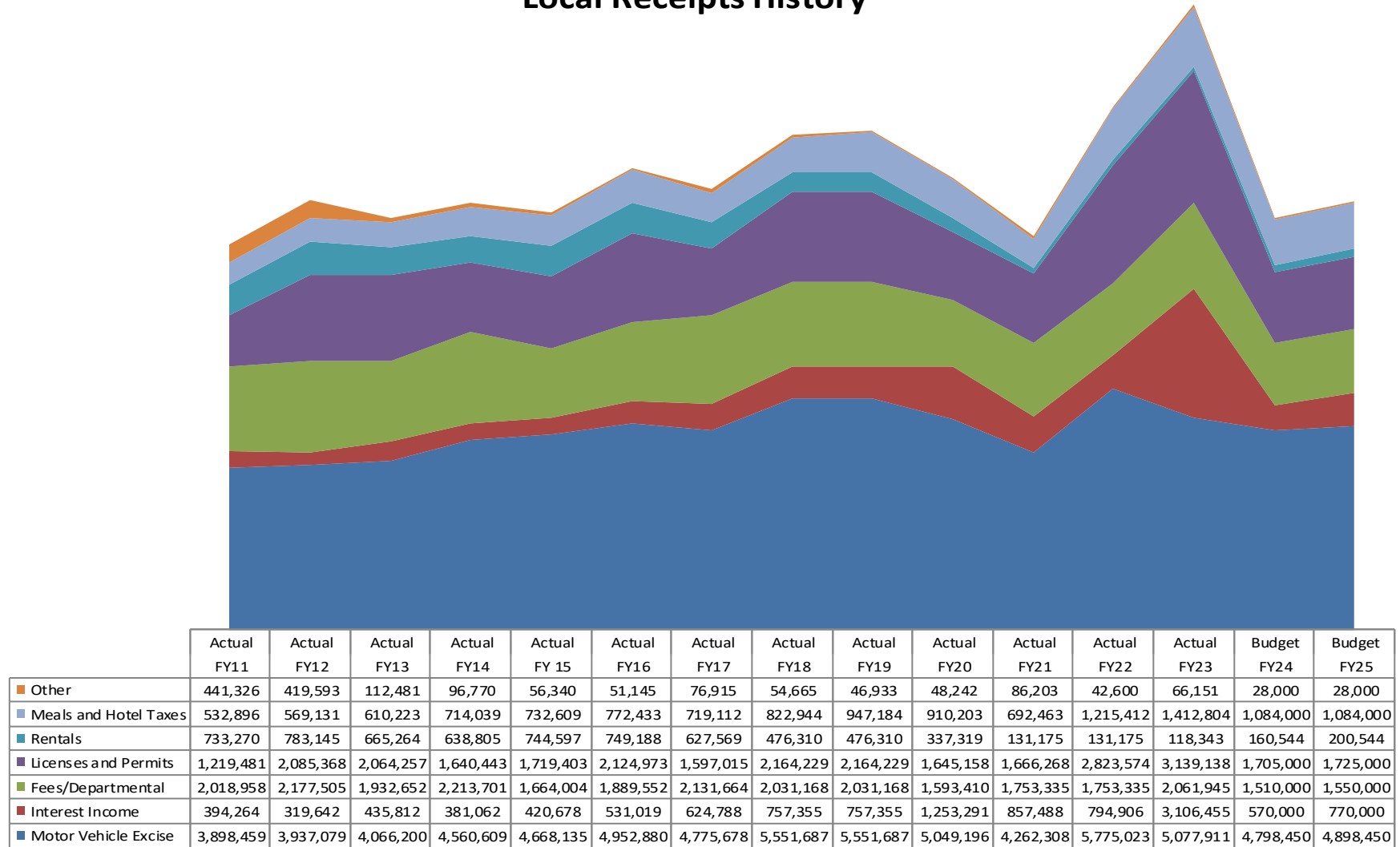
**LOCAL RECEIPTS SUMMARY**

Local receipts for FY2025 are adjusted to project modest increases after being dropped significantly in FY2021 to reflect the effects of the COVID-19 pandemic. Motor Vehicle Excise tax revenue is projected to increase by \$100,000. The budgeted estimate for Interest Income is increased by \$200,000 due to historic collection trends in the Penalties & Interest category. Department Fees are projected to increase by \$40,000, largely due to an increase in the ambulance receipts category. Rentals are slated to increase by \$40,000 as 23 Maple St. is rented for a full year. All together, this category is projected to see a \$400,000 increase over FY2024.

LOCAL RECEIPTS SUMMARY	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Motor Vehicle Excise	5,775,023	5,077,911	4,798,450	4,898,450	100,000
Interest Income	794,906	3,106,455	570,000	770,000	200,000
Departmental Fees	1,753,335	2,061,945	1,510,000	1,550,000	40,000
Licenses and Permits	2,823,574	3,139,138	1,705,000	1,725,000	20,000
Rentals	120,695	118,343	160,544	200,544	40,000
Meals, Hotel, and Marijuana Taxes	1,215,412	1,412,804	1,084,000	1,084,000	-
Other	42,600	66,151	28,000	28,000	-
Total	12,525,545	14,982,747	9,855,994	10,255,994	400,000



Local Receipts History



**MOTOR VEHICLE EXCISE**

Motor vehicle excise tax receipts are projected to rise by \$118,380 in FY2025. Although long-term term trends show previous annual increases, the COVID-19 pandemic changed that, as fewer people bought or leased new cars. Excise tax commitments have been increasing every year since 2013. The excise rate is \$25 per thousand and is assessed on 90% of the vehicle's value in the first year, 60% in the second year, 40% in the third year, 25% in the fourth year, and 10% thereafter. The actual billings are prepared by the Registry of Motor Vehicles and then turned over to the Town for printing, distribution, and collection. There are approximately 38,000 registered vehicles in Arlington. In the chart below, Levy Year 2023 is as of June 30, 2023.

Motor Vehicle Excise Collection By Fiscal Year

<u>Levy Year</u>	<u>Commitments</u>	<u>Collections</u>	<u>Refunds</u>	<u>Net Collections</u>	<u>Abatements</u>	<u>Balance (Uncoll.)</u>	<u>Collection %</u>
2023	\$ 5,292,229.75	\$ 5,377,868.64	\$ 75,571.76	\$ 5,302,296.88	\$ 113,942.47	\$ (124,009.60)	102.34%
2022	\$ 6,023,514.13	\$ 6,089,551.67	\$ 102,001.34	\$ 5,987,550.33	\$ 128,963.23	\$ (92,999.43)	101.54%
2021	\$ 4,241,897.70	\$ 4,539,211.36	\$ 68,422.11	\$ 4,470,789.25	\$ 104,890.97	\$ (333,782.52)	107.87%
2020	\$ 5,251,165.00	\$ 5,264,953.75	\$ 100,625.31	\$ 5,164,328.44	\$ 158,614.32	\$ (71,777.76)	101.37%
2019	\$ 5,468,145.35	\$ 5,333,179.75	\$ 88,693.84	\$ 5,244,485.91	\$ 159,831.70	\$ 63,827.74	98.83%
2018	\$ 5,843,844.70	\$ 5,655,881.52	\$ 103,697.40	\$ 5,552,184.12	\$ 188,660.91	\$ 102,999.67	98.24%
2017	\$ 4,838,049.36	\$ 4,865,068.94	\$ 90,286.47	\$ 4,774,782.47	\$ 158,912.85	\$ (95,645.96)	101.98%
2016	\$ 5,165,749.14	\$ 5,038,846.19	\$ 85,965.27	\$ 4,952,880.92	\$ 169,326.92	\$ 43,541.30	99.16%
2015	\$ 4,867,711.40	\$ 4,768,890.38	\$ 100,755.76	\$ 4,668,134.62	\$ 521,918.86	\$ (322,342.08)	106.62%
2014	\$ 4,213,165.12	\$ 4,636,918.89	\$ 76,292.47	\$ 4,560,626.42	\$ 134,742.51	\$ (482,203.81)	111.45%
2013	\$ 4,342,665.00	\$ 4,145,705.00	\$ 80,917.00	\$ 4,064,788.00	\$ 129,537.00	\$ 148,340.00	96.58%

MOTOR VEHICLE EXCISE

	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Motor Vehicle Excise	5,775,023	5,085,462	4,780,070	4,898,450	118,380

**DEPARTMENTAL FEES**

Departmental fees are projected to increase by \$40,000, with movement in the ambulance fee category. Ambulance fees are now being collected differently due to a change in the way revenue is collected with our ambulance provider. This will result in increases in this fee category.

The establishment of a Parking Benefits District at Town Meeting for Arlington Center means that parking meter revenue, which had been reported under Departmental Fees, has been moved to the Parking Fund. With new meters in full operation, the expectation is that parking violation fees will increase as well, though we are not increasing the projection to remain in a conservative position.

DEPARTMENTAL FEES	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Schools (Medicaid Reimbursement)	439,316	235,938	200,000	200,000	-
Cemetery Revenue	260,425	230,775	250,000	250,000	-
Library Fees and (Fines, discontinued in 2019)	6,149	7,931	-	-	-
Town Clerk Fees	77,509	61,216	50,000	50,000	-
Parking Violations	216,146	235,316	250,000	250,000	-
Fire Alarm Renewal Fee	5,000	8,500	5,000	5,000	-
Ambulance Fees	413,004	991,453	460,000	500,000	40,000
Other Departmental Revenue	262,975	195,306	225,000	225,000	-
Other Department Fees	72,811	95,510	70,000	70,000	-
Total	1,753,335	2,061,945	1,510,000	1,550,000	40,000

**INTEREST INCOME & PENALTIES**

Interest Income is projected to increase by \$200,000 in FY2025. It is made up of two components: investment income and interest and penalties associated with delinquent tax payments.

The Interest Income revenue estimate remains level with the FY2023 budget. Investment income can vary widely depending upon market interest rates, available cash balances, cash flows, and investment practices. Investment income previously dropped from a high of more than \$1.4 million in FY2007 to \$55,430 in FY2011. FY2023 was by far the highest year on record in interest income. This is due to dramatic fluctuations in interest rates. As interest rates continue to change, the Town will monitor interest income. In recent years, notwithstanding low interest rates, the Treasurer/Collector has maximized interest income through careful investments. FY24 remains on pace to be a very high investment income year.

INTEREST INCOME	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Investment Income	306,987	2,996,647	200,000	400,000	200,000
Penalties & Interest	487,919	391,477	370,000	370,000	-
Total	794,906	3,388,124	570,000	770,000	200,000

**LICENSES AND PERMITS**

Licenses and permits revenues for FY2025 are projected to increase by \$20,000. Building Permits typically generate the most permit revenue, but are also the most volatile, subject to fluctuation as the economy strengthens or weakens or as interest rates increase or decline. The FY2025 projection is consistent with long-term collections, excluding large, one-time permits.

Besides building permits, some of the other major categories of Licenses and Permits include parking permits and liquor licenses issued by the Select Board, and fire permit fees, which include fire alarm connection fees. All of these are expected to remain flat.

LICENSES AND PERMITS	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Parking Permits	123,439	126,638	115,000	115,000	-
Liquor Licenses	80,625	44,925	80,000	80,000	-
Food Licenses	8,070	8,615	7,000	7,000	-
Food Permits	14,523	13,995	16,000	16,000	-
Tobacco Permits	23,000	10,000	11,000	11,000	-
Building Inspections	2,508,727	2,413,681	1,420,000	1,440,000	20,000
Fire Prevention Permits	55,125	45,592	50,000	50,000	-
Marriage Licenses	4,380	5,280	6,000	6,000	-
Total	2,817,889	2,668,726	1,705,000	1,725,000	20,000

**RENTAL INCOME**

The Town derives income from the renting of several Town-owned properties including the Parmenter School, the former Dallin Library, areas within the newly renovated Community Center, and 23 Maple Street.

Overall, revenue is projected to increase by \$40,000 with the addition of a new rental at 23 Maple Street.

New leases, which went into effect in FY2015, include a capital contribution which will offset future capital improvements to the buildings. Projected revenue from other properties remains unchanged.

The Parmenter School building has one tenant, the Arlington Children's Center. The front section of the building was renovated to house the Menotomy Pre-School, which has moved back to the Arlington High School building and is currently occupied by the Recreation Department.

The Mt. Gilboa property is a residential house that had been rented to a tenant until early FY2021. It is now vacant and the Town is reevaluating its best use.

The Dallin Library is currently leased to the Arlington Community Media, Inc. (ACMi).

RENTAL INCOME	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Parmenter	75,579	76,987	73,000	73,000	-
Community Center	-	-	42,544	42,544	-
23 Maple				40,000	40,000
Dallin Library	45,116	41,356	45,000	45,000	-
Total	120,695	118,343	160,544	200,544	40,000



OTHER LOCAL RECEIPTS

Other local receipts are projected to stay level in FY2025.

OTHER LOCAL RECEIPTS	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Court Fines	9,513	12,342	10,000	10,000	-
Special Assessments	6,245	14,578	-	-	-
Payments In Lieu of Taxes	25,526	39,401	18,000	18,000	-
Total	41,284	66,321	28,000	28,000	0



Hotel, Meals, and Marijuana Taxes

In 2009, the Legislature gave the authority to Town Meeting to adopt optional increases to the meals and hotel taxes. At that time, only the State collected revenue from the meals tax of 5%. Cities and towns were allowed to add an additional 0.75%. The Town also collected a room occupancy tax on hotels of 4% at that time (there is only one hotel in Arlington). The State allowed cities and towns to increase the room occupancy tax by 1% to a total of 5%.

Given the uncertainty surrounding Marijuana excise tax collections, there may be downward adjustments in future years within this category. Estimates for the Hotel Tax, Meals Tax, and Marijuana Tax will remain unchanged in FY2025.

HOTEL, MEALS & MARIJUANA TAXES	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Meals Tax	512,498	574,807	425,000	425,000	-
Hotel Tax	361,974	532,952	350,000	350,000	-
Marijuana Tax	340,940	305,045	309,000	309,000	-
Total	1,215,411	1,412,804	1,084,000	1,084,000	0

**STATE AID SUMMARY**

The State's FY2025 Governor's budget recommendation includes a statewide \$244 million increase in Chapter 70 School Aid and a \$36.2 million increase in General Government Aid. As a result Arlington will benefit from a \$180,630 increase in Chapter 70 School Aid and a \$377,544 increase in Unrestricted General Government Aid (UGGA).

Total General Government Aid — Unrestricted General Government Aid and Veterans' Benefits reimbursements — will increase \$343,956 or 3.78%.

School Aid — Chapter 70 School Aid plus Charter School tuition reimbursement and exclusive of school construction aid — is projected to increase \$169,364 or 0.90%.

Overall FY2025 State Aid, as used to balance the Town Meeting budget, will increase by \$477,878 to a total of \$28,603,013.

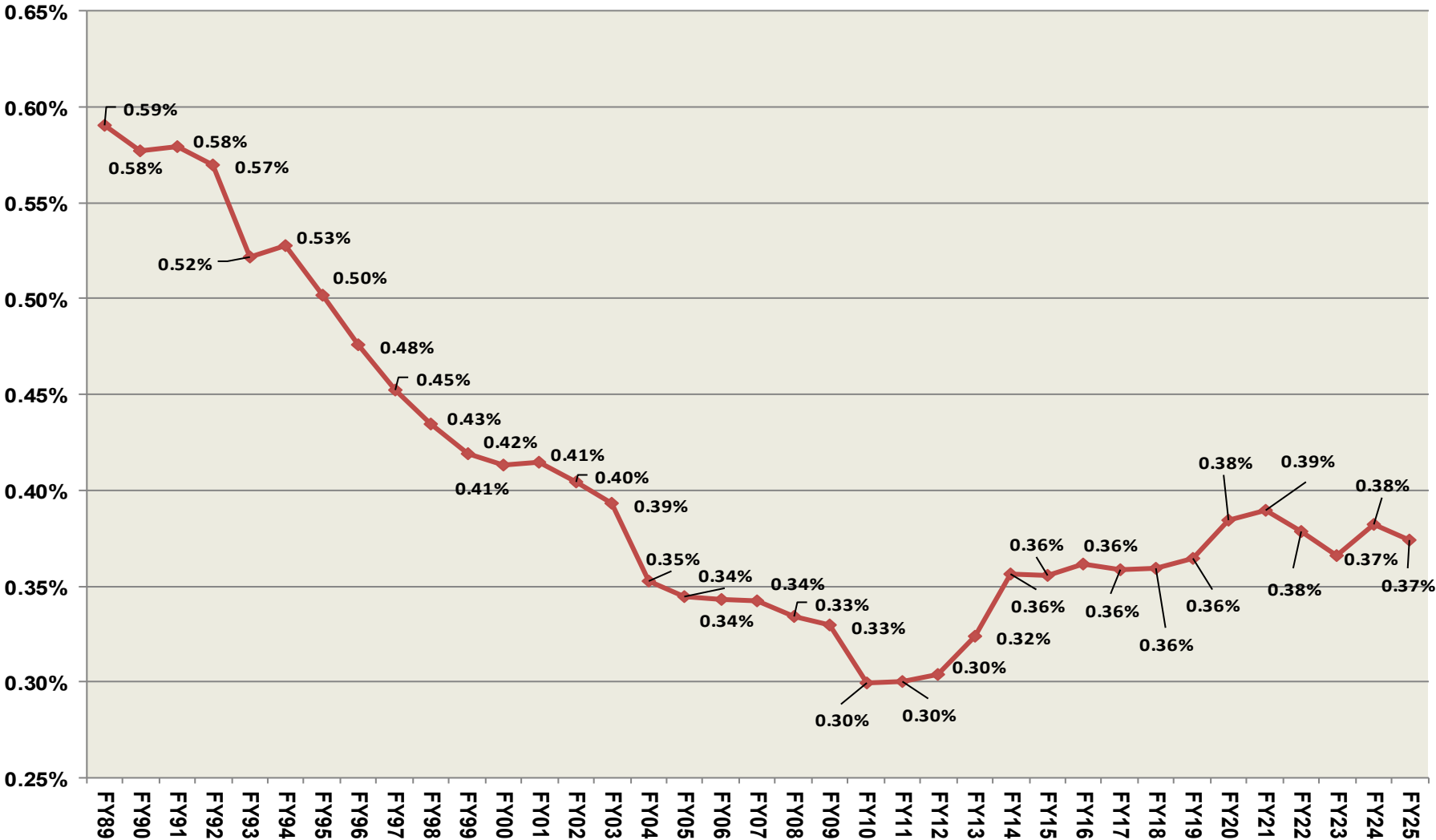
Since 1989 and the cuts to local aid across the state, Arlington has seen its share of total state aid cut by approximately 37%, from .59% to .37% (see chart on p. 41). Other, poorer communities have seen greater increases in state aid, because state aid formulas allocate more aid to low income and low wealth communities.

However, in the past decade, and in particular the previous two fiscal years because of large increases in Chapter 70 Education aid through the state Student Opportunity Act, Arlington has seen its share of state aid increase and prior to the Coronavirus pandemic was on track to achieve near parity with statewide increases in state aid. However, again in FY2025 Arlington's increase is smaller than the overall increase in State Aid and the gap has widened. (See the cumulative year-to-year increases and decreases since FY2005 in the chart on p. 42).

STATE AID SUMMARY	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Gen Government Aid	8,501,973	8,936,055	9,099,788	9,443,744	343,956
School Aid	14,838,168	16,073,587	18,794,230	18,963,594	169,364
School Construction	-	-	-	-	0
Tax Exemptions	114,525	110,900	121,055	86,875	(34,180)
Cherry Sheet Offsets	75,100	100,981	110,062	108,800	(1,262)
Total	23,529,766	25,221,523	28,125,135	28,603,013	477,878

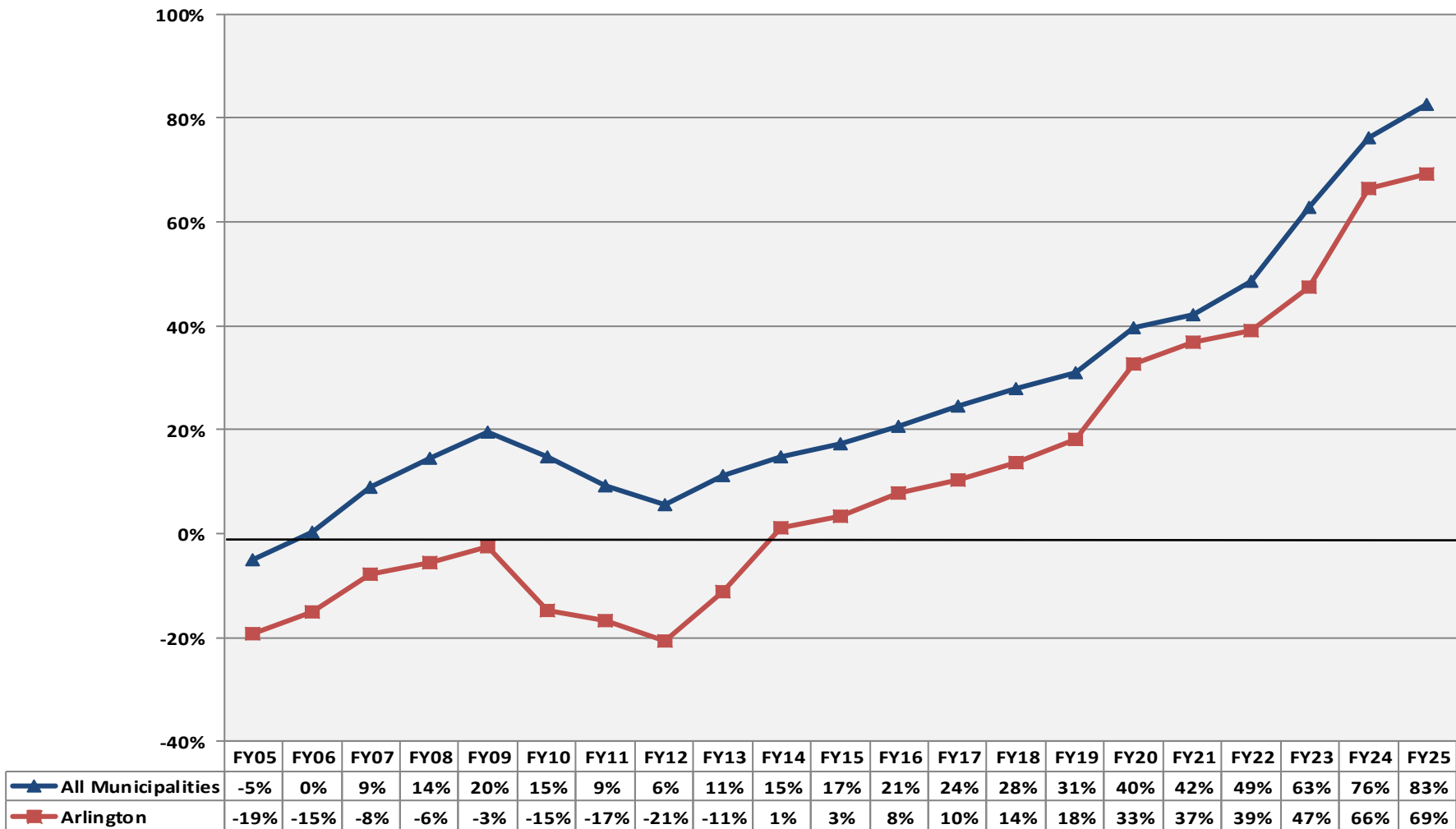


Arlington's Percent of Total State Aid





State Aid Cumulative Year-to-Year Percent Change
Since Fiscal Year 2005
(Numbers Exclude School Construction and METCO Reimbursements)



**GENERAL GOVERNMENT*****Unrestricted General Government Aid (UGGA)***

In FY2025 UGGA is expected to increase \$377,544 or 4.21% to \$9,341,579.

As historical background, in FY2010, the Additional Assistance category was combined with Lottery Aid under a new category called Unrestricted General Government Aid. Between these two aid categories, Arlington received in excess of \$9.4 million in FY2008. While this account is increasing in FY2025, the Town has experienced a reduction in this aid of approximately \$788,000 since FY2008.

Veterans' Benefits

Chapter 115, Section 6, calls for the reimbursement to cities and towns of the costs of providing assistance to veterans and their dependents. Benefits paid out in accordance with state guidelines are eligible for 75% reimbursement. For FY2025 the Cherry Sheet estimate is \$102,165, a decrease from the previous year, which reflects a stable population of veterans filing benefits claims and consistent efforts by the Town's Veterans' Service Agent to secure VA and other federal benefits for eligible veterans.

GENERAL GOVERNMENT	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Unrestricted General Government Aid	8,338,017	8,788,270	8,964,035	9,341,579	377,544
Veterans' Benefits	163,956	147,785	135,753	102,165	(33,588)
Total	8,501,973	8,936,055	9,099,788	9,443,744	343,956

**SCHOOL AID*****School Aid – Chapter 70***

The State's total statewide education funding in FY2025, exclusive of regional schools, is \$5.9 billion, an increase of \$244 million, or 4.27%. Of this amount, Arlington is to receive \$18,884,039, an increase of \$180,630 or 0.97%.

The Chapter 70 distribution formula calculates a Foundation Budget, the estimated cost to educate all students in each school district across the state, and funds a percentage of that budget, depending upon a number of factors, including community income levels, property wealth, and municipal contributions to the school budget. For those communities determined to be relatively wealthy, such as Arlington, the State will fund a maximum 17.5% of the school district's foundation budget. Communities that are less affluent receive significantly more than the 17.5% minimum. The Foundation Aid formula contained in the 2019 Student Opportunity Act better accounts for the School Department's rising enrollment and costs (such as providing health insurance to teachers and staff and educating English Language Learners, economically disadvantaged students, and students receiving special education services). The formula's minimum aid provision guarantees all districts receive at least the same amount of aid in FY2025 as they did in FY2024 plus a \$30 per pupil increase. The FY2025 Governor's budget accounts for the increase in student enrollment in Arlington as measured in October 2023 over October 2022.

Charter School Tuition Assessment Reimbursement

General Laws Chapter 71, Section 89 (nn) mandates that the State assess a municipality or regional school district for the costs associated with pupils attending a Charter School district and reimburse sending districts for the tuition they pay to Commonwealth charter schools. Municipalities and school districts are reimbursed for this assessment based on a funding schedule that is supposed to follow a pattern of in year one, an amount equal to 100% of the assessment; in years two through six, an amount equal to 25% of the assessment, after year six, no reimbursement. This reimbursement is subject to appropriation. If the account is not fully-funded, then the reimbursement is pro-rated. The Student Opportunity Act increased funding for Charter School Tuition Reimbursements, with a goal of reaching full funding over three years, starting in FY2021. Based on the Governor's budget, in FY2025 the Town will receive \$79,555, a decrease of \$11,266.

SCHOOL AID	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Chapter 70 School Aid	14,741,108	15,893,365	18,703,409	18,884,039	180,630
Charter School Tuition Reimbursement	97,060	180,222	90,821	79,555	(11,266)
Total	14,838,168	16,073,587	18,794,230	18,963,594	169,364



SCHOOL CONSTRUCTION AID

The school construction aid the Town had received in previous years was for projects completed under an old State school building assistance program, the SBA program under which cities and towns borrowed the full amount of debt for a school building project and the state reimbursed the cities and towns for its share of the project. In 2004, the Governor signed Chapter 210 of the Act of 2004, which made substantial changes to the School Building Assistance (SBA) Program. This legislation (Ch. 208) transferred responsibility for the School Building Assistance Program from the Department of Education to the Massachusetts School Building Authority (MSBA), operating under the Office of the State Treasurer. The authority is a new and independent governing body comprised of seven members. The reform legislation dedicates one cent of the state sales tax to the new off-budget school building trust. Funding is no longer subject to an annual appropriation from the Legislature and approval of the Governor, allowing MSBA to prepay its share of project expenses. This streamlined process saves local communities millions in avoided interest costs and provides greater cash flow.

The Peirce School project was the last school project to receive reimbursement under the old SBA process. The last construction aid payments for the Peirce School occurred in FY2021, the same year of the last Arlington bond payment for the construction project. There will not be any more of these reimbursements in the future.

SCHOOL AID	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
School Construction Aid	0	0	0	0	-

**TAX EXEMPTION AID**

There are several categories of property tax exemptions for which the State provides a partial reimbursement to municipalities. For FY2025, Arlington's reimbursements are expected to decrease \$34,180 to a total of \$86,875. Veterans, blind persons, surviving spouses, and elderly who meet exemption requirements are eligible. Elderly persons (at least 65 years of age) who meet certain whole estate or total assets, annual income, and residency requirements, are eligible for an exemption. The number of exemptions granted is multiplied by the statutory reimbursement of \$500, subject to appropriation. However, if a municipality has adopted Clause 41B or 41C (Arlington has adopted this section which increases exemption amount to \$1,300), the number of exemptions for which it is reimbursed cannot exceed the number reimbursed in the most recent year under Clause 41. In addition, municipalities that have adopted Clause 41B or 41C will be reimbursed for additional costs incurred in determining eligibility of applicants under these clauses in an amount not to exceed two dollars per exemption granted. For property tax exemptions granted to qualifying veterans, blind persons, surviving spouses, and elderly persons, the exemption and reimbursement amounts are as follows:

- Surviving spouses, minor children, elderly persons:
 - Clause 17 - \$175, full reimbursement
 - Clauses 17C, 17C^{1/2}, 17D - \$227.50, reimbursement cannot exceed the amount reimbursed on Clause 17.
- Veterans:
 - Clause 22(a-f) - \$520 exempted, \$225 reimbursed
- Paraplegic veterans, surviving spouses:
 - Full amount, 100% minus \$175 reimbursed (§8A)
- Veterans, loss of one arm, foot, or eye:
 - Clause 22A - \$975 exempted, \$575 reimbursed
- Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight:
 - Clause 22B - \$1,625 exempted, \$1,075 reimbursed
- Veterans, special adapted housing:
 - Clause 22C - \$1,950 exempted, \$1,325 reimbursed
- Veterans, surviving spouses of service members who died in combat zone or who are missing in action and presumed dead due to combat:
 - Clause 22D - 100% exempted- 1st five years of exemption, \$2,500 thereafter
- Veterans, 100 percent disability:
 - Clause 22E - \$1,300 exempted, \$825 reimbursed
- Blind persons:
 - Clause 37A - \$650 exempted, \$87.50 reimbursed

TAX EXEMPTION AID	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Tax Exemption Aid	114,525	110,900	121,055	86,875	(34,180)

**CHERRY SHEET OFFSETS**

Included in the estimated amount of aid to be received from the State are grant funds for libraries. These grants are reserved for direct expenditure by the departments and cannot be counted as general available revenues. Consequently, as part of the tax rate preparation process, whatever amount is included within the State Aid estimate is also included in the non-appropriated expense section as offsetting debits.

The Town has traditionally received two such annual grants — one for the school lunch and one for public libraries. In FY2016, the State started to account for the school lunch program differently and it is no longer reflected on the Cherry Sheet.

The library grant is actually three separate grants — the Library Incentive Grant (LIG), Municipal Equalization Grant (MEG) and the Nonresident Circulation Offset (NRC). In FY2025, assistance to libraries is expected to decrease to \$108,800. The three funding formulas to determine amounts for each municipality are as follows:

1. The Library Incentive Grant (LIG) is distributed to municipalities as follows:
 - a. Population under 2,500: an amount equal to the amount appropriated for free public library service in the preceding year; distribution not to exceed \$1,250.
 - b. Population of 2,500 or over: up to \$.50 per capita, provided that at least \$1,250 was appropriated for public library service in the preceding year.
2. The Municipal Equalization Grant (MEG) distributes the balance in the LIG/MEG account according to the lottery formula so that municipalities with lower property values receive proportionately more aid than those with greater property values.
3. The Nonresident Circulation Offset (NRC) is distributed annually by the Board of Library Commissioners, based upon each community's share of the total Statewide-circulated items.

The Board of Library Commissioners measures compliance with all requirements before voting to certify or deny applicants for grant payments. To qualify for funding, certain requirements must be met and the municipal Library Director must submit an application to the Board of Library Commissioners each year. Requirements include:

- The city or town's appropriation to operate the public libraries must be equal to or greater than 102.5% of the average of the 3 preceding years' appropriations for free public library service. The Board of Library Commissioners may grant waivers of this requirement to a limited number of municipalities.
- The library must have complied with the minimum standards for free public library service in the preceding year. There are minimum standards in such areas as library director's education, number of hours open, and expenditures for library materials. The library must submit annual report data as specified by the Board of Library Commissioners.

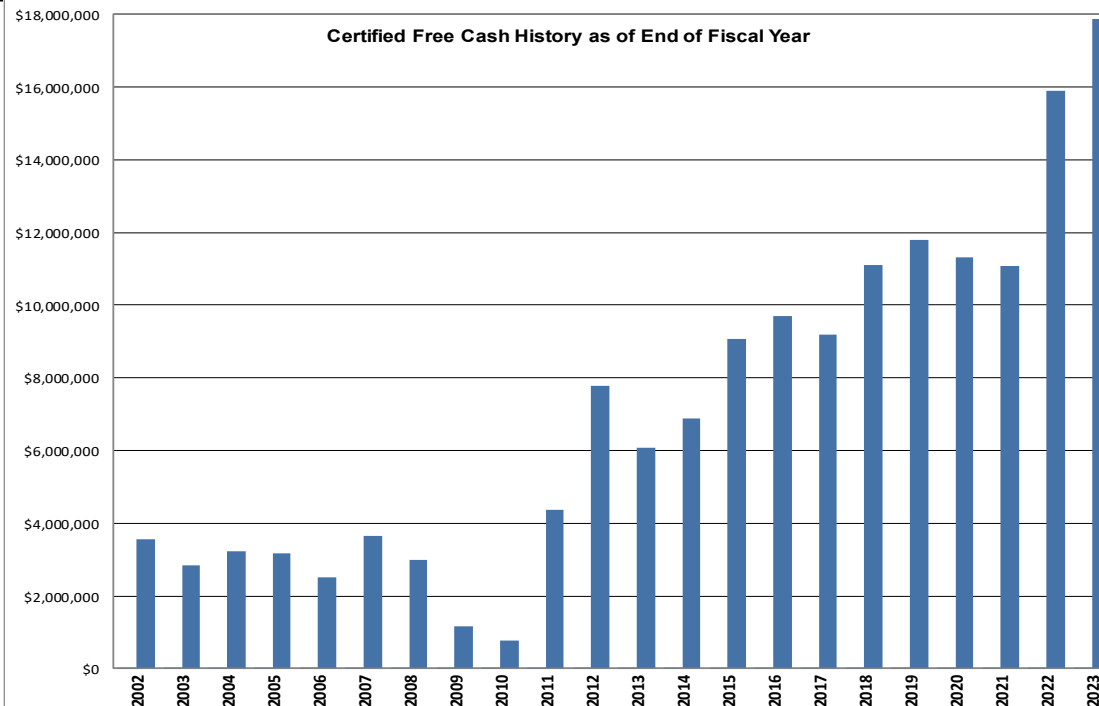
CHERRY SHEET OFFSETS	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Libraries	75,100	100,981	110,062	108,800	(1,262)
Total	75,100	100,981	110,062	108,800	(1,262)



FREE CASH

Free Cash, which is certified as of July 1 each year by the Commonwealth's Department of Revenue (DOR), represents the portion of General Fund surplus revenue that is unrestricted and available for appropriation. These funds, once certified, may be used to support supplemental appropriations during the year: to support the ensuing fiscal year's budget, to reduce the tax levy, or to serve as emergency reserves. Free Cash is generated when the actual operating results compare favorably with the budget, such as when actual revenues exceed the original estimates and/ or when actual expenditures are less than amounts that were appropriated. It is also affected by increases or decreases in uncollected property taxes, deficits in non- General Fund funds, and any other legally incurred operating deficits, such as snow removal overdrafts.

The Town's free cash balance as of June 30, 2023 was \$17,883,872. In accordance with Town policy, Arlington can appropriate up to 50% of the free cash balance towards the next fiscal year's budget. It is recommended that \$8,941,936 or 50% of the existing balance, be appropriated toward the FY2025 budget.



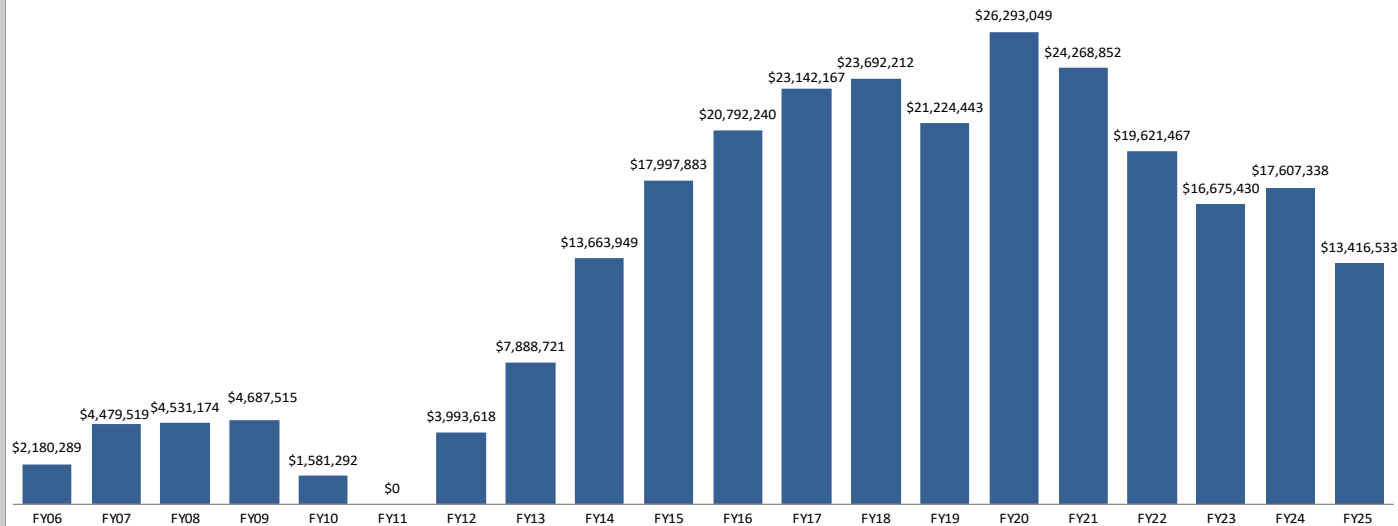
FREE CASH	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Free Cash Appropriated	5,659,184	5,539,215	7,956,044	8,941,936	985,892

**OTHER REVENUE****Overlay Surplus**

The Tax Abatement Overlay Reserve Surplus comes from funds set aside each year for property tax abatements and exemptions. Any funds remaining in the accounts that are no longer needed are declared surplus by the Board of Assessors and are made available for appropriation. For FY2025, the Board of Assessors has declared \$750,000 as surplus for operating costs, an increase over the previous year.

Override Stabilization Fund

The Override Stabilization Fund was created as a result of the 2005 Proposition 2½ Override. The five-year Long Range Plan developed at that time projected that the first two years would have surplus funds to be put in an Override Stabilization Fund, the third year there would be no surplus, and the last two years the surplus funds would be drawn down to balance the budget. As a result of tight budget controls, there was no need to make any drawdown from the fund until the fifth year, FY2010, when \$2,742,376 was withdrawn. The remaining balance in the fund, of \$1,580,000, was appropriated in FY2011, the sixth year. Since the Override of 2011, \$23,692,212 was put into the Fund, until FY2019, when money was again withdrawn prior to the June 2019 Override. FY2025 takes \$4,374,790 from the fund, which is projected to last only through FY2025.

Override Stabilization Fund Balances

OTHER REVENUE	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Budget Change
Overlay Surplus	400,000	650,000	600,000	750,000	150,000
Override Stabilization Fund	6,248,581	2,946,037	588,575	4,374,790	3,786,215
Total	6,648,581	3,596,037	1,188,575	5,124,790	3,936,215



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